

110TH CONGRESS  
2D SESSION

# H. R. 7273

To amend the Internal Revenue Code of 1986 to allow an above-the-line deduction against individual income tax for interest on indebtedness and for State and local sales and excise taxes with respect to the purchase of certain motor vehicles.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 19, 2008

Mr. PASCARELL (for himself and Mr. LATOURETTE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow an above-the-line deduction against individual income tax for interest on indebtedness and for State and local sales and excise taxes with respect to the purchase of certain motor vehicles.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. ABOVE-THE-LINE DEDUCTION FOR INTEREST**  
4                       **ON INDEBTEDNESS WITH RESPECT TO THE**  
5                       **PURCHASE OF CERTAIN MOTOR VEHICLES.**

6       (a) IN GENERAL.—Paragraph (2) of section 163(h)  
7       of the Internal Revenue Code of 1986 is amended—

1           (1) by striking “and” at the end of subpara-  
2 graph (E),

3           (2) by striking the period at the end of sub-  
4 paragraph (F) and inserting “, and”, and

5           (3) by adding at the end the following new sub-  
6 paragraph:

7                   “(G) any qualified motor vehicle interest  
8                   (within the meaning of paragraph (5)).”.

9           (b) QUALIFIED MOTOR VEHICLE INTEREST.—Sec-  
10 tion 163(h) of the Internal Revenue Code of 1986 is  
11 amended by adding at the end the following new para-  
12 graph:

13                   “(5) QUALIFIED MOTOR VEHICLE INTEREST.—  
14 For purposes of this subsection—

15                           “(A) IN GENERAL.—The term ‘qualified  
16 motor vehicle interest’ means any interest which  
17 is paid or accrued during the taxable year on  
18 any indebtedness which—

19                                   “(i) is incurred after November 12,  
20 2008, and before January 1, 2010, in ac-  
21 quiring any qualified motor vehicle of the  
22 taxpayer, and

23                                   “(ii) is secured by such qualified  
24 motor vehicle.

1       Such term also includes any indebtedness se-  
2       cured by such qualified motor vehicle resulting  
3       from the refinancing of indebtedness meeting  
4       the requirements of the preceding sentence (or  
5       this sentence); but only to the extent the  
6       amount of the indebtedness resulting from such  
7       refinancing does not exceed the amount of the  
8       refinanced indebtedness.

9               “(B) DOLLAR LIMITATION.—The aggre-  
10       gate amount of indebtedness treated as de-  
11       scribed in subparagraph (A) for any period  
12       shall not exceed \$49,500 (\$24,750 in the case  
13       of a separate return by a married individual).

14              “(C) INCOME LIMITATION.—The amount  
15       otherwise treated as interest under subpara-  
16       graph (A) for any taxable year (after the appli-  
17       cation of subparagraph (B)) shall be reduced  
18       (but not below zero) by the amount which bears  
19       the same ratio to the amount which is so treat-  
20       ed as—

21                      “(i) the excess (if any) of—

22                              “(I) the taxpayer’s modified ad-  
23                              justed gross income for such taxable  
24                              year, over

1 “(II) \$125,000 (\$250,000 in the  
2 case of a joint return), bears to  
3 “(ii) \$10,000.

4 For purposes of the preceding sentence, the  
5 term ‘modified adjusted gross income’ means  
6 the adjusted gross income of the taxpayer for  
7 the taxable year increased by any amount ex-  
8 cluded from gross income under section 911,  
9 931, or 933.

10 “(D) QUALIFIED MOTOR VEHICLE.—The  
11 term ‘qualified motor vehicle’ means a pas-  
12 senger automobile (within the meaning of sec-  
13 tion 30B(h)(3)) or a light truck (within the  
14 meaning of such section)—

15 “(i) which is acquired for use by the  
16 taxpayer and not for resale after November  
17 12, 2008, and before January 1, 2010,

18 “(ii) the original use of which com-  
19 mences with the taxpayer, and

20 “(iii) which has a gross vehicle weight  
21 rating of not more than 8,500 pounds.”.

22 (c) DEDUCTION ALLOWED ABOVE-THE-LINE.—Sec-  
23 tion 62(a) of the Internal Revenue Code of 1986 is amend-  
24 ed by inserting after paragraph (21) the following new  
25 paragraph:

1           “(22) QUALIFIED MOTOR VEHICLE INTER-  
 2       EST.—The deduction allowed under section 163 by  
 3       reason of subsection (h)(2)(G) thereof.”.

4       (d) REPORTING OF QUALIFIED MOTOR VEHICLE IN-  
 5       TEREST.—

6           (1) IN GENERAL.—Subpart B of part III of  
 7       subchapter A of chapter 61 of the Internal Revenue  
 8       Code of 1986 is amended by adding at the end the  
 9       following new section:

10   **“SEC. 6050X. RETURNS RELATING TO QUALIFIED MOTOR**  
 11                   **VEHICLE INTEREST RECEIVED IN TRADE OR**  
 12                   **BUSINESS FROM INDIVIDUALS.**

13       “(a) QUALIFIED MOTOR VEHICLE INTEREST.—Any  
 14       person—

15           “(1) who is engaged in a trade or business, and

16           “(2) who, in the course of such trade or busi-  
 17       ness, receives from any individual interest aggre-  
 18       gating \$600 or more for any calendar year on any  
 19       indebtedness secured by a qualified motor vehicle (as  
 20       defined in section 163(h)(5)(D)),

21       shall make the return described in subsection (b) with re-  
 22       spect to each individual from whom such interest was re-  
 23       ceived at such time as the Secretary may by regulations  
 24       prescribe.

1       “(b) FORM AND MANNER OF RETURNS.—A return  
2 is described in this subsection if such return—

3               “(1) is in such form as the Secretary may pre-  
4 scribe,

5               “(2) contains—

6                       “(A) the name and address of the indi-  
7 vidual from whom the interest described in sub-  
8 section (a)(2) was received,

9                       “(B) the amount of such interest received  
10 for the calendar year, and

11                      “(C) such other information as the Sec-  
12 retary may prescribe.

13       “(c) APPLICATION TO GOVERNMENTAL UNITS.—For  
14 purposes of subsection (a)—

15               “(1) TREATED AS PERSONS.—The term ‘per-  
16 son’ includes any governmental unit (and any agency  
17 or instrumentality thereof).

18               “(2) SPECIAL RULES.—In the case of a govern-  
19 mental unit or any agency or instrumentality there-  
20 of—

21                      “(A) subsection (a) shall be applied with-  
22 out regard to the trade or business requirement  
23 contained therein, and

24                      “(B) any return required under subsection  
25 (a) shall be made by the officer or employee ap-

1           appropriately designated for the purpose of mak-  
2           ing such return.

3           “(d) STATEMENTS TO BE FURNISHED TO INDIVID-  
4   UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
5   QUIRED.—Every person required to make a return under  
6   subsection (a) shall furnish to each individual whose name  
7   is required to be set forth in such return a written state-  
8   ment showing—

9           “(1) the name, address, and phone number of  
10   the information contact of the person required to  
11   make such return, and

12           “(2) the aggregate amount of interest described  
13   in subsection (a)(2) received by the person required  
14   to make such return from the individual to whom  
15   the statement is required to be furnished.

16   The written statement required under the preceding sen-  
17   tence shall be furnished on or before January 31 of the  
18   year following the calendar year for which the return  
19   under subsection (a) was required to be made.

20           “(e) RETURNS WHICH WOULD BE REQUIRED TO BE  
21   MADE BY 2 OR MORE PERSONS.—Except to the extent  
22   provided in regulations prescribed by the Secretary, in the  
23   case of interest received by any person on behalf of an-  
24   other person, only the person first receiving such interest

1 shall be required to make the return under subsection  
 2 (a).”.

3 (2) AMENDMENTS RELATING TO PENALTIES.—

4 (A) Section 6721(e)(2)(A) of such Code is  
 5 amended by striking “or 6050L” and inserting  
 6 “6050L, or 6050X”.

7 (B) Section 6722(c)(1)(A) of such Code is  
 8 amended by striking “or 6050L(c)” and insert-  
 9 ing “6050L(c), or 6050X(d)”.

10 (C) Subparagraph (B) of section  
 11 6724(d)(1) of such Code is amended by redesign-  
 12 ating clauses (xvi) through (xxii) as clauses  
 13 (xvii) through (xxiii), respectively, and by in-  
 14 serting after clause (xii) the following new  
 15 clause:

16 “(xvi) section 6050X (relating to re-  
 17 turns relating to qualified motor vehicle in-  
 18 terest received in trade or business from  
 19 individuals),”.

20 (D) Paragraph (2) of section 6724(d) of  
 21 such Code is amended by striking the period at  
 22 the end of subparagraph (DD) and inserting “,  
 23 or” and by inserting after subparagraph (DD)  
 24 the following new subparagraph:



1 “(EE) section 6050X(d) (relating to re-  
 2 turns relating to qualified motor vehicle interest  
 3 received in trade or business from individ-  
 4 uals).”.

5 (3) CLERICAL AMENDMENT.—The table of sec-  
 6 tions for subpart B of part III of subchapter A of  
 7 chapter 61 of such Code is amended by inserting  
 8 after the item relating to section 6050W the fol-  
 9 lowing new item:

“Sec. 6050X. Returns relating to qualified motor vehicle interest received in  
 trade or business from individuals.”.

10 **SEC. 2. ABOVE-THE-LINE DEDUCTION FOR STATE AND**  
 11 **LOCAL SALES TAX AND EXCISE TAX ON THE**  
 12 **PURCHASE OF CERTAIN MOTOR VEHICLES.**

13 (a) IN GENERAL.—Subsection (a) of section 164 of  
 14 the Internal Revenue Code of 1986 is amended by insert-  
 15 ing after paragraph (5) the following new paragraph:

16 “(6) Qualified motor vehicle taxes.”.

17 (b) QUALIFIED MOTOR VEHICLE TAXES.—Sub-  
 18 section (b) of section 164 of the Internal Revenue Code  
 19 of 1986 is amended by adding at the end the following  
 20 new paragraph:

21 “(6) QUALIFIED MOTOR VEHICLE TAXES.—

22 “(A) IN GENERAL.—For purposes of this  
 23 section, the term ‘qualified motor vehicle taxes’  
 24 means any State or local sales or excise tax im-

posed on the purchase of a qualified motor vehicle (as defined in section 163(h)(5)(D)).

“(B) INCOME LIMITATION.—The amount otherwise taken into account under subparagraph (A) for any taxable year shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which is so treated as—

“(i) the excess (if any) of—

“(I) the taxpayer’s modified adjusted gross income for such taxable year, over

“(II) \$125,000 (\$250,000 in the case of a joint return), bears to

“(ii) \$10,000.

For purposes of the preceding sentence, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

“(C) QUALIFIED MOTOR VEHICLE TAXES NOT INCLUDED IN COST OF ACQUIRED PROPERTY.—The last sentence of subsection (a)

1 shall not apply to any qualified motor vehicle  
2 taxes.

3 “(D) COORDINATION WITH GENERAL  
4 SALES TAX.—This paragraph shall not apply in  
5 the case of a taxpayer who makes an election  
6 under paragraph (5) for the taxable year.”.

7 (c) CONFORMING AMENDMENTS.—Paragraph (5) of  
8 section 163(h) of the Internal Revenue Code of 1986, as  
9 added by section 1, is amended—

10 (1) by adding at the end the following new sub-  
11 paragraph:

12 “(E) EXCLUSION.—If the indebtedness de-  
13 scribed in subparagraph (A) includes the  
14 amounts of any State or local sales or excise  
15 taxes paid or accrued by the taxpayer in con-  
16 nection with the acquisition of a qualified motor  
17 vehicle, the aggregate amount of such indebted-  
18 ness taken into account under such subpara-  
19 graph shall be reduced, but not below zero, by  
20 the amount of any such taxes for which a de-  
21 duction is allowed under section 164(a) by rea-  
22 son of paragraph (6) thereof.”, and

23 (2) by inserting “, after the application of sub-  
24 paragraph (E),” after “for any period” in subpara-  
25 graph (B).

1       (d) DEDUCTION ALLOWED ABOVE-THE-LINE.—Sec-  
2   tion 62(a) of the Internal Revenue Code of 1986, as  
3   amended by section 1, is amended by inserting after para-  
4   graph (22) the following new paragraph:

5               “(23) QUALIFIED MOTOR VEHICLE TAXES.—  
6       The deduction allowed under section 164 by reason  
7       of subsection (a)(6) thereof.”.

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